

Message Text

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PAGE 01 WINNIP 00015 112220Z
ACTION EUR-12

INFO OCT-01 ISO-00 INT-05 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04
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P 112130Z JAN 78
FM AMCONSUL WINNIPEG
TO SECSTATE WASHDC PRIORITY 2108
INFO AMEMBASSY OTTAWA
AMCONSUL TORONTO

UNCLAS WINNIPEG 15

E.O. 11652: N/A
TAGS: EMIN, EINV, CA
SUBJ: SASKATCHEWAN ABOUT TO BUY 4TH POTASH PROPERTY

1. POTASH CORPORATION OF SASKATCHEWAN (PCS) IS CLOSE TO BUYING POTASH PROPERTIES OWNED BY AMAX POTASH LIMITED OF GREENWICH, CONN., ACCORDING TO REPORT IN JAN 10 TORONTO GLOBE AND MAIL. AMAX WILL PAY CANADIAN DOLS 85 MILLION TO ACQUIRE OPERATING CONTRACT BETWEEN AMAX AND INTERNATIONAL MINERALS AND CHEMICALS CORP OF LIBERTYVILLE, ILLINOIS (IMC). AS ADDRESSEES MAY RECALL, AMAX HAS CONTRACT WITH IMC TO PURCHASE UP TO ONE MILLION TONS OF POTASH PER YEAR AT A PRICE ONE DOLLAR PER TON HIGHER THAN IMC PRODUCTION COST.

2. THIS ACQUISITION WILL ADD ONE MILLION TONS OF POTASH TO PREVIOUSLY ACQUIRED PCS CAPACITY OF 3.4 MILLION TONS --OR ABOUT 34 PERCENT OF THE TOTAL POTASH CAPACITY IN SASKATCHEWAN.

3. PROSPECTIVE AGREEMENT HAS INTERESTING TWIST INASMUCH AS IMC HAS THE RIGHT OF FIRST REFUSAL TO BUY AMAX PROPERTY
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PAGE 02 WINNIP 00015 112220Z

BACK, ALTHOUGH WE BELIEVE IT IS UNLIKELY IMC WILL EXERCISE THIS RIGHT. IF DEAL PROCEEDS AS EXPECTED, IMC WILL END UP PRODUCING POTASH FOR PCS--AN ARM OF THE GOVERNMENT WHICH HAS ACTIVELY SOUGHT TO TAKE OVER PRIVATE POTASH MINES --A SOMEWHAT AWKWARD SCHEME OF THINGS.

4. SO FAR, WE HAVE BEEN UNABLE TO REACH KEY PCS OR GOS

OFFICIALS, BUT OUR EXPERIENCE HAS BEEN THAT POTASH REPORTING IN GLOBE AND MAIL HAS BEEN ACCURATE.

5. ARTICLE PROVIDES USEFUL SUMMARY OF GOS S POTASH ACQUISITIONS SINCE POLICY WAS ANNOUNCED IN 1975:

DATE	ACQUIRED FROM	PRICE (CAN DOLS)
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OCT 76	DUVAL (PENNZOIL/HOUSTON)	128.5 MILLION
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APR 77	SYLVITE (HUDSON BAY MINING/ SMELTING)	144 MILLION
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NOV 77	ALWINSAL (FRENCH/GERMAN)	86 .5 MILLION
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JAN-FEB 78?	AMAX (GREENWICH, CONN)	85 MILLION
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6. PCS IS STILL NEGOTIATING WITH THE THREE OWNERS OF ALLAN POTASH MINE OPERATORS LTD WHICH HAS CAPACITY OF 1.5 MILLION TONS. THE OWNERS ARE ESMARK INC OF CHICAGO, TEXASGULF INC OF STAMFORD, CONN, AND U.S. BORAX, A UNIT UNCLASSIFIED

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PAGE 03 WINNIP 00015 112220Z

OF RIO TINTO-ZINC CORP LTD OF BRITAIN.

7. WILL REPORT FURTHER WHEN WE ARE ABLE TO REACH POTASH CONTACTS.
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